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14 June 1955

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Soviet Policy in Coming Four-Power Negotiations*

INTRODUCTION - THE QUESTIONS FOR INTELLIGENCE

1. In assessing the posture of Soviet policy on the eve of a new round of negotiation to be initiated by the Summit meeting, the following are probably the essential questions which intelligence ought to examine:

- a. Has there been a change in Soviet policy, and if so, what **is** its degree and character?
- b. What factors have caused the recent Soviet moves?
- c. What are the objectives of Soviet policy in its present phase?
- d. What are the probable Soviet positions on the several issues likely to be under negotiation in Four Power meetings, and what are the limits of concession on particular issues to which the USSR will go to achieve particular objectives?

AN ASSESSMENT OF RECENT DEVELOPMENTS IN SOVIET POLICY

2. In order to evaluate correctly and in proper perspective the USSR's recent moves, a backward look at the course which Soviet policy has pursued in the postwar period as a whole seems indicated. It is against this background that we can but judge whether, and if so in what degree, a change is taking place in Soviet policy.

* The discussion in this paper is not limited to the Summit conference but considers a prolonged period of negotiations which we believe is likely to be initiated by that meeting.

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The Postwar Period to Stalin's Death

3. It is clear that in the wake of the victory over Germany the Soviet leaders were "dizzy with success." They apparently believed that in the aftermath of a war so destructive to the fabric of "capitalist" society there could not fail to be revolutionary opportunities. Even the non-Marxist observer in the immediate postwar years could see much in the desperate condition of Western Europe and large parts of Asia to justify these Communist hopes. The Soviet leaders apparently felt that they could pursue a forward policy, if not an aggressive one in a military sense, with little risk. Even so, the risks they did take were limited. There was unacknowledged aid to revolutionary forces in China and Greece, and extensive encouragement of "armed liberation movements" in Asia; the coup in Czechoslovakia, ostensibly under local management; the cautiously applied squeeze on Berlin; and finally the satellite aggression in Korea. Probably no aggression by Soviet forces was ever considered.

4. It seems likely that by 1951, with the successful allied resistance in Korea and the launching of a serious rearmament program by NATO, the Soviet leaders began to recognize that the forward policy had become counter-productive and that to press it would involve greater risks than they were prepared to take. The Soviet leaders must have come to regard the growing power of the Western coalition, particularly the decision to include a rearmed West Germany, not only as a counterpoise to their own power position, but also as a serious long-run threat to their own security. These considerations probably played a part in their decision to open armistice talks in Korea, and thereby to reduce tensions. The gradual abandonment of the "armed liberation" line by Communist parties in some parts of Asia was a parallel development. In 1952 at the 19th Congress of the Soviet Communist Party the appropriate doctrinal interpretation of the historical situation was authoritatively laid down by Stalin himself. It was tacitly acknowledged that a consolidation of the capitalist states had taken place: there would be another phase of war among imperialist states. The "Socialist camp" would therefore operate on this assumption rather than on the expectation either of early revolution in or war against the "capitalist camp."

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The Malenkov Period

5. Subsequent to Stalin's death came a phase of conciliatory gestures and an increase in the propaganda for a reduction in international tensions, which was documented by the signing of the Korean armistice. It is possible that the old dictator's passing was seized upon opportunistically as likely to lend plausibility to the thesis of a new Soviet posture, perhaps in the belief that even without Soviet concessions the West could be persuaded to slow its military buildup or make incautious settlements. This phase did evoke Churchill's unsuccessful initiative for "summit" talks and also the Berlin Conference. There the Soviets learned that gestures were not enough; the Western front held firm on the German issue. The West learned that the gestures had not portended any shift in Soviet positions. Subsequently, at Geneva, there were fissures in the Western Alliance, but they were not critical and no break resulted. The Communists held a "position of strength" at that conference and, aside from accepting a half loaf with assurances of the other half later, a choice which enabled them to avoid a risk of expanded war in Indochina, they were not required to make concessions. Throughout the Malenkov period Soviet policy seemed to operate on the assumption that propaganda affirmations of a desire for reduced tensions along with gestures would be enough to win Western concessions, or at least to establish a stalemate that could be accepted. There seemed in fact to be such a stalemate in Europe in view of the French unwillingness to accept EDC as a suitable formula for German rearmament, while in Asia, the unstable situation in some areas seemed to hold open the promise of new advances. Communist tactics in Asia came increasingly to emphasize "peaceful coexistence" and normal relations in an effort to neutralize the policies of the governments in this area.

Post-Malenkov

6. Shortly after Malenkov's fall, Soviet policy seemed to enter upon a new activist phase in which deeds were added to the words of

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conciliation. The most important "deeds" were the Austrian Treaty, the Belgrade visit to the "fascist traitor" Tito, the acceptance of a large part of the Anglo-French disarmament proposals, and most recently, the approach to Adenauer.

7. The Austrian Treaty was a retreat from previous Soviet positions, and in this sense represented a "concession." Nevertheless, the USSR still enacted a high price for abandonment of its position in Austria, which had long been a political liability and economically had probably become a wasting asset. With German rearmament in prospect, the Soviet leaders may have felt that the denial of Austria to the West was worth more to them militarily than the retention of their own forces in a section of the country. Most important perhaps, they probably counted on a considerable impact for the treaty in West Germany, probably more than there seems likely to be, and on a stimulus to demands in the West for another try at negotiations.

8. The Yugoslav case is more difficult to evaluate. At a maximum, the USSR may have expected that the humiliating pilgrimage to Belgrade would really result in some kind of realignment of Tito with the Bloc. The possibility of a gross miscalculation cannot be excluded, given what we know of Khrushchev's penchant for the bold stroke and the probable difficulty the Soviet leaders have in believing that a Marxist-Leninist, however errant, could really prefer to retain his Western ties. At a minimum, the Soviet leaders probably hoped to compromise Tito with his Western friends. Moreover, they may have calculated that, at the very least they would illustrate to the West the earnestness of their search for a relaxation of tensions. Except for some personal indignity, to which it is possible other Soviet leaders did not mind having Khrushchev and Bulganin submit, the cost of this venture will probably not prove to have been very great. The Soviet leaders apparently did not think that enunciation of the principle that each country could follow its own road to socialism would involve very great risks in future relations with the Satellites. (Perhaps, contrary to Soviet calculations, the impression left by the Belgrade mission may encourage Western Europe's confidence in the prospects of the coming negotiations, since the Soviet leaders have been made to seem considerably less formidable.)

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9. The Soviet disarmament proposal of 10 May 1955 represents on its face a quite radical departure from previous Soviet positions, especially in agreeing to fixed levels of military forces and in accepting the phasing of nuclear weapons control with reductions of conventional forces. However, the control and inspection arrangements remain unsatisfactory to the West and these, together with the accompanying demands for political and military agreements clearly designed to nullify NATO, mean that the USSR runs little risk of having its plan accepted. While the possibility that the USSR does really want a disarmament agreement cannot be written off, for the present the Soviet leaders are asking an impossible price for it and there is a high probability that the 10 May proposal was made with no serious expectation that it would lead to fruitful negotiation. The circumstances in which it was announced, simultaneously with the Western invitation to the Summit meeting, strongly suggest that it was intended primarily to blanket out the effect of that move and to retain the propaganda initiative for the USSR.

10. The latest Soviet move, the approach to Adenauer, has apparently had a heightened impact on Western opinion because the three preceding Soviet initiatives discussed above had conditioned Western opinion-forming media to give sensational treatment to each new Soviet action. In fact, however, the Soviet intention to "normalize" relations with Bonn had long been forecast. So long as France was the principal stumbling block to West Germany's rearmament, the French were naturally the main target of Soviet diplomacy and propaganda, and normal relations with Bonn would have weakened this propaganda effort. But with the Paris Agreements ratified and West Germany now a sovereign state, the USSR apparently chose to try to influence the further course of developments by direct dealings with the Federal Republic. Nevertheless, the USSR pays some price for the shift from treating the Bonn government as a gang of "Hitlerite revanchists" to accepting it as a respectable diplomatic partner. Aside from the propaganda embarrassment, which the Soviet system is apparently able to absorb without much difficulty, the new line may cause some uneasiness in the Satellites and possibly complicate the control of East Germany. Even though it was an expected move and a logical development, the Soviet leaders probably did not take the step lightly and it does mark another important indication of the increasing flexibility of Soviet policy.

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Conclusion

11. The recent Soviet moves represent a change from the sterile negativism of Soviet policy in recent years, and they open up the possibility that the USSR is ready to see the stalemate on certain important issues broken. It may even be willing to pay some price for this and be prepared for the first time to put some serious bargaining counters on the table. However, the USSR has not so far made concessions involving any great cost or the abandonment of any assets important to the power position of the Bloc. The recent moves are consistent with the long-term Soviet aim to divide the Western Powers, and to undermine popular support in the West for policies of strength, while at the same time avoiding major conflict and preventing international tensions over particular issues from growing to a danger point. They do not clearly portend any such radical departure in Soviet policy as the abandonment of the belief in the ineradicable hostility between "the two world camps." (In a speech at Prague on May 8, Kaganovich reaffirmed the classical doctrine in vigorous terms.)

CAUSES OF THE RECENT SOVIET MOVES

12. If we are to estimate correctly the course which Soviet policy is likely to pursue from this point forward, it is essential to have some appreciation of the factors which may have been present in the minds of the Soviet leaders in recent months. These were probably of two kinds. There was the immediate context of events in response to which the recent Soviet moves were probably made. There were probably also longer-range considerations affecting the outlook for the general Soviet power position in the years ahead.

The Immediate Context of Events

13. There were three events immediately preceding the recent departures in Soviet policy which quite likely had some part in

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precipitating them. An internal event should be mentioned first. This was the displacement of Malenkov and the assumption of a commanding role, if not yet clearly a dictatorial one, by Khrushchev. It is important to remember that in totalitarian states the personality and "style" of the leader have a great impact on the tone and even on the substance of policy, at least within certain tactical limits. The impress of the personalities of Stalin and Hitler on policy was readily manifest, revealed in the one case by caution, secretiveness, and suspicion, in the other by malevolence and violence. The character of Khrushchev, insofar as it is known to us, suggests ebullience, boldness, a flair for large-scale schemes pursued aggressively but not necessarily with prudence. It is possible that the "action" introduced into Soviet policy recently reflects his personality, his determination to employ bolder means to break the deadlock in the contest between the Bloc and the West.

14. Another major event which preceded the recent shifts was the ratification of the Paris Accords. There were some indications that the rapid success of the West in developing an alternative to EDC for the inclusion of a rearmed West Germany in NATO took the Soviet leaders by surprise. If true, this development, fought so bitterly by Soviet diplomacy and propaganda since 1950, must also have been something of a shock. There was a quick shift from the theme of "fight ratification" to "fight implementation." The Soviet leaders may have realized at the same time that in this new phase propaganda would not be enough and that a more active diplomacy would be required. In addition, it was well known to them from commitments made to the French and German parliaments to obtain ratification that the latter would be followed by a Western request for new Four Power negotiations. Their practice of always trying to make such developments appear the result of their own initiative, perhaps partly for internal political reasons, partly because of their obsessive desire to avoid the appearance of weakness, might itself have been a factor in their recent moves.

15. Occurring simultaneously with these two events, there was a growing tension in the Formosa Strait. Hostilities there between the US and Communist China would recreate the Korean War

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situation for the USSR in a possibly more dangerous form. They would upset the assumption on which Soviet policy apparently had been based since the Korean armistice talks began, that there could be and needed to be a relaxation of tensions; would impose a large new military burden for support of the Chinese; and might embroil the USSR itself. The Formosa Strait situation might have been an additional factor which convinced the Soviet leaders that a more active diplomacy to keep tensions in check was needed.

Longer-Range Factors

16. In addition to the immediate events which probably provoked the recent initiatives of Soviet policy, there are other continuing factors which form a background for recent developments and which may also have played a part in the calculations of the Soviet leaders. Three of these are worth particular mention.

17. Within the last few years the fear of nuclear war has spread widely in the non-Communist world. It seems unlikely that some degree of a similar concern has not been felt on the other side of the Iron Curtain as well. While Stalin lived, there seemed to be a failure to appreciate the significance of nuclear weapons. This was reflected not only in the little we knew of Soviet thinking on the subject, but also in the slowness of the Soviet military establishment to adapt itself to the new conditions of war. As the USSR acquired the new weapons in recent years, and as the vastly increased potentiality of those weapons both in power and numbers became apparent, the Soviet leaders may have become increasingly concerned with their implications. They may also have realized how far they still had to go to develop an effective nuclear capability, especially against the US. Quite likely these realizations strongly reinforced their conviction that substantial risks of general war must be avoided, and increased their sensitivity to developments which increased tensions or seemed likely to weaken the Bloc's military position relative to that of the West. Against this background a heightened responsiveness to such recent developments as the ratification of the Paris Accords or the increased tension in the Formosa Strait is not surprising.

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18. Just prior to the fall of Malenkov, there were indications of a vigorous controversy within the Soviet leadership on economic policy. Programs for agriculture were apparently the immediate issue. However, in view of the cost and duration of these programs, it seems quite likely that discussion of them was linked with a broader consideration of economic programs and priorities in the new plan period which is to begin in 1956, and for which the planning authorities have probably been engaged in laying down guidelines. The future size of the military budget, which was increased in 1955 by 12 percent after a two-year decline and is now back approximately at the postwar high reached in 1952, must certainly have been a considerable factor in these discussions. If the USSR is to build up its strategic air force, develop guided missiles, build a modern air defense system, continue its substantial naval building program of recent years, and reorganize and re-equip its large ground forces for nuclear warfare, not to mention assisting its Bloc partners in some of these programs as well, the burden of military expenditures is bound to be very heavy in coming years. Our ability to calculate the real cost of this military effort in Soviet economic values, and therefore the real magnitude of the burden, is limited. However, we do know that the cost of complex modern weapons systems is fantastically high. We also know that despite moves to reduce defense expenditures during the last two years, the Soviet leaders were obliged this year to increase their military budget by a substantial amount. Given the military programs we estimate the Soviet leaders will want to carry out over the next few years at least, especially if German rearmament goes forward, military expenditure will be greater than at present. The impact of high military expenditure on the Soviet economy is generally registered in a decline in the growth rate of investment. That was true already in the current year, when the investment sector of the budget showed considerably less than the expected increase. Historically, the same inverse relationship between military and investment expenditure has been evident. During 1937-1940 and again in the Korean War period, when military expenditures rose rapidly, the rate of increase in investment declined. This means that whenever the Soviet leaders accept the necessity for increased military expenditures, they must also accept a decline in the rate of growth of their economy.

19. At present there are heavy and exceptional demands for investment. The USSR is engaged in a major effort to overcome its

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lag in agriculture, and additional agricultural output will require heavier capital investment than in the past. In industry also, increased output will demand greater outlays of capital because of the decline in the growth of the industrial labor force and the fall in marginal productivity of capital investment. Because of these particular investment demands at this time and because of the Soviet leaders persistent concern to maintain maximum rates of growth in order to approach closer to the West in over-all economic strength, it is probable that they would welcome an opportunity to reduce military expenditures, or at least hold them constant. Their desire for a reduction in international tensions may be related to this, since such an easing of the international situation would permit them to reduce and stretch out military programs. It is possible that increased influence of the military in the post-Stalin regime has enabled them to pose a choice for the Soviet leaders, either to obtain substantial improvement in the international situation or to accept a growing burden of military expenditure together with the related consequence of a decline in the rate of growth of the Soviet economy. It seems entirely plausible that this whole complex problem of the mounting burden of military costs could be one of the principal factors behind the current posture of Soviet foreign policy.

20. The Soviet leaders are accustomed to take a long view of trends in world power relationships. For many years after the war they could be confident that the only immediate threat to their security lay in the US. More recently, Western Europe has shown a surprising vigor, and with its gain in power and productivity the whole weight of the Western alliance will increase. Now the power of West Germany is to be added. This will mean not only a substantial increment of military power, but the presence in the NATO camp of a vigorous nation with important national interests which can be satisfied only at the expense of the Soviet Bloc. The USSR has always been preoccupied with the threat which could arise from the revival of their chief World War II enemies, Germany and Japan. Even if the Germans in their present appearance as prosperous

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business men and bourgeois politicians do not seem very formidable, the Soviet leaders may think it is only prudent to look ahead to the possible reappearance of a dynamic Germany which could give the Western alliance a more menacing aspect. Likewise, the Japanese, though not yet really recovered from defeat in a political and psychological sense, are a vigorous people who will in future have ambitions and the power to pursue them. It is also possible that the Soviet leaders do not have complete confidence in their relations with Communist China in the long term. They probably do not have any sense of imminent danger because of possible developments affecting the future role of Germany, Japan, and China, but together with the nuclear threat and the burden which the present balance of world power already imposes on the Soviet economy, the matter of long-term trends in world power relationships may be another ground for Soviet concern.

Conclusion

21. Whether or not all the factors discussed in the foregoing paragraphs have influenced the Soviet leaders in recent months, it will be evident that the present posture of their policy proceeds from a highly complex and mixed motivation. The long-term and persistent factors which have been discussed are probably not critical in the sense that they would by themselves necessarily cause a radical turn in Soviet foreign policy. The Soviet leaders are unlikely to be stampeded by fear of nuclear war, nor is their economy too weak to bear the arms burden, nor are they likely to believe that trends in the world balance of power are against them. But these factors do suggest a background of concern about future developments which may have heightened the impact of some recent events. Among the latter, the ratification of the Paris Accords, which meant that moves would have to be made quickly if there was to be any hope of checking the course of West German rearmament, was probably the most important. It may have had a kind of trigger effect on Soviet policy which set it in motion, and led to the rapid series of recent moves, all clearly designed to persuade the world that the USSR desires a reduction of tensions and to place it in an advantageous position for a new round of negotiation.

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SOVIET OBJECTIVES IN FOUR-POWER NEGOTIATIONS

22. Taking into account the range and weight of the motives discussed in the previous section, it is possible to indicate at least three courses which the USSR might pursue in the coming period of negotiations:

- a. It is possible that the USSR has decided that anticipatory action is needed to meet the growth of Western strength and the threat to its own survival if continued cold war tensions should lead to nuclear conflict, and that it therefore desires a substantial and prolonged reduction of tensions. It may even have concluded that, given the unexpected stability of the capitalist world and the implications of conflict in a nuclear era, its own ultimate objectives are now unattainable, at least unless another radical shift in the world power balance occurs.
- b. Instead, the USSR may intend only to take steps against what it considers is a short-term threat to its position arising from the growth in Western strength and continued Western nuclear superiority, and from such developments as the Formosa straits crisis and German rearmament. Therefore it will try to buy time for a few years, meanwhile forestalling further untoward growth in Western strength, while it catches up in nuclear striking power.
- c. In contrast to the above two "defensive" courses, the USSR may remain primarily "offensively" motivated. It may recognize that its postwar policies have passed the point of diminishing returns and that a rough equilibrium of forces has been reached which cannot be upset for some time without grave risks of conflict. Therefore, the USSR may feel that a shift to more flexible tactics will restore to it the initiative and offer new possibilities of undermining the Western "position of strength" by political means.

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23. In our view, Soviet policy probably is not now committed to follow any one of these three courses exclusively, but continues to be tentative and exploratory. The Soviet leaders have probably not yet made up their own minds as to the over-all direction they should take. There may even be differences of opinion within the Kremlin which have not yet been fully resolved. The Soviet leaders have apparently decided, however, that they must embark on a calculated policy aimed at reduction of tensions, whether for a short period or a longer time. They appear to hope that such a reduction, created by their own flexible policies will:

- a. Reduce the threat of nuclear conflict arising from continued tensions.
- b. Give time for the USSR to continue its own economic and military buildup and resolve its own domestic problems; and
- c. At the same time, open new opportunities to divide the Western Powers and undermine Western strength.

24. The Soviet leaders obviously regard a new series of East-West negotiations as an essential means of achieving the above objectives. It is not clear, however, how far they feel they must go, or what price they are prepared to pay in order to achieve them. The Soviet leaders are probably not committed to any fixed positions in the coming negotiations. They are probably unconvinced that the West has acquired such a position of strength as to require them to make major concessions but are aware also that they are not themselves in a position to compel Western submission. As all their preparatory propaganda and tactics indicate, they recognize that they can improve their chances of achieving their objectives by planting and exploiting divisions among the Western partners. These potential divisions spring not so much from any real conflicts of interest as from differences of view with respect to Soviet intentions. It is probably out of recognition of this that the recent Soviet moves have been calculated to nourish extravagant hopes about Soviet intentions.

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25. The Soviet leaders have probably set themselves certain maximum and minimum objectives in the coming negotiations. The maximum would be to disrupt the unity of the Western alliance, to break up NATO, and to obtain a withdrawal of US power from Europe. The minimum would probably be to prevent or at least slow down the implementation of German rearmament plans. The Soviet leaders probably realize that not even their minimum objective has any chance of attainment unless they are now prepared to pay some price. They have witnessed over a number of years the failure of their efforts to halt the Western Powers' program for West Germany by mere propaganda. The price the USSR will be willing to pay for agreements on particular issues depends in turn on the concessions that can be won from the West. What the course of bargaining is likely to be and what the limits of Soviet concessions are likely to be we can best estimate by an examination of the main issues which will probably be on the agenda of the Four-Power meetings.

PROBABLE SOVIET POSITIONS ON ISSUES UNDER NEGOTIATION

26. The central issues certain to be on the negotiating table will be Germany and disarmament, with an all-European security system and troop withdrawal from Germany as related aspects. The USSR will probably also wish to raise questions affecting the Far East. There will be other peripheral issues which will figure in the discussion, but these will be subordinate to the questions affecting relative power positions which will be raised by the main issues. Such peripheral issues will probably include cultural relations, East-West trade, and UN membership for various states still excluded. The USSR is likely to make sweeping proposals concerning these to show its desire for a real relaxation of tensions. Finally, the USSR will probably introduce such questions as US bases and war propaganda which will be agitated and distorted by the Soviet negotiators for tactical advantage.

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Germany

27. The issue of Germany, of course, is formally agreed by all parties to center upon the need for an agreement on reunification. If the USSR agreed to German reunification, it would do so because it anticipated that a situation could be brought about preferable to the prospect now in view -- integration of West Germany into NATO and a growing military contribution by West Germany to the Western alliance, perhaps followed by German-instigated pressure on the Soviet sphere. For such a situation to be preferable, the USSR would have to obtain effective guarantees with respect to the future behavior of Germany. The USSR knows that the political complexion of a reunited Germany would be pro-Western and anti-Soviet and that there would be little hope in the foreseeable future for the victory of internal Communist forces. Therefore, any Soviet agreement to German re-unification would include at a minimum: denial to Germany of the right to enter alliances and consequently withdrawal of Western forces from Germany; international control of German arms, probably in the context of a wider arms control agreement. It would probably also include a guarantee by Germany and the Western Powers of the finality of the Oder-Neisse frontier. If the USSR was willing to permit unification to come about on these conditions, it would probably insist also on doing so by a series of delaying steps, probably involving negotiations between the East and West German governments. This would be necessary in order to camouflage the painful political reverse that would result from immediate free elections in East Germany, and to give time to adopt the Soviet line for effective maneuver among the West German parties. Therefore, Soviet negotiators would be unlikely to accept outright the Eden plan for free elections, but would probably propose some revision of it which would delay free elections as long as possible and thus cushion the blow to Soviet prestige which the results of elections would bring.

28. The key question the Soviet leaders would have to ask themselves in considering German reunification on such a basis would be whether any guarantees they might obtain with respect to the future behavior of Germany would be enforceable, and would insure

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for any long period that a reunified Germany would not tacitly become a member of a Western alliance. Probably they would not believe that any system of guarantees, including the Molotov all-European security plan, would insure this result so long as the political forces predominant in the Western countries continued to be those which are anti-Soviet and determined to oppose the expansion of Communist power. Therefore, the USSR probably is not now prepared to conclude an agreement for reunification of a neutralized Germany.

29. Soviet tactics in the negotiations will, however, go to great lengths to establish that the USSR does in fact want a reunified Germany. The Soviet negotiators will attempt to leave this impression and to lay the blame for failure on the Western Powers, since this, because of the effects on West German opinion, would serve their minimum objective to prevent or at least slow down West German rearmament. Their problem would be a great deal easier if they felt confident that they could offer reunification and free elections in return for agreement to neutralize Germany, and obtain a Western refusal. How confident they would be of this is difficult to estimate. We believe that they probably would not take the risk of offering such a settlement in clear and unmistakable terms. If the Western powers themselves take the initiative to offer such a settlement, the USSR will probably accept in principle but emphasize the need for settlements on other issues to create an atmosphere of confidence as a pre-condition for agreement on a neutralized, unified Germany. These would include a disarmament agreement, the dismantling of US bases threatening the USSR, and a system of security guarantees. Whatever these counter-demands might be in detail, their effect would be to nullify NATO as an effective defense system. Only if such demands were conceded in satisfactory form would the USSR be likely to agree to the unification of Germany. This is tantamount to saying that the USSR's price for the reunification of Germany would probably be the emasculation of Western alliance and defense arrangements.*

* See NIE 11-55, "Probable Soviet Response to the Ratification of the Paris Agreements," 1 March 1955, for a fuller statement of the advantages and disadvantages to the USSR of agreeing to German unification.

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30. Since the USSR will know in advance that such a price is unacceptable, the real Soviet basis for agreement will probably be to retain the division of Germany "temporarily," but to establish guarantees against the growth of military power in East and West Germany above agreed levels. This could be proposed in the context of a disarmament and European collective security pact. At the same time, in order not to appear to close the door entirely to future reunification, the USSR would probably propose continuing talks on unification either directly between the two Germanies, or perhaps in the UN. Withdrawal of troops from Germany, except for the "limited contingents" mentioned in the 10 May note, would probably also be included in the package.

31. The Soviet leaders would probably expect such a proposal to have much appeal in Western Europe, where there is still considerable uneasiness about the possible consequences of German reunification, and even of the rearmament of West Germany. They would not demand outright the withdrawal of all US forces from Europe or the dissolution of NATO, which would be flatly rejected by a substantial majority of West European opinion. The Soviet proposal would probably seem to many Europeans as a sincere attempt to reduce tensions by an initial step toward disengagement of the two blocs, and at the same time would be attractive to them because it would put the menacing German question in limbo. The Soviet leaders would expect to achieve a disruption of NATO defense planning, to render difficult the maintenance of US power in Europe, and to gain some control over the future course of West German rearmament. The withdrawal of the bulk of their forces from East Germany under these circumstances would be a price they would probably be prepared to pay. Above all, the arrangement would have for them the great advantage of gaining time, probably now one of their principal concerns in connection with the problem of Germany.

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An Alternative Soviet Position on Germany

32. We have presented above what we believe is the likely Soviet course with respect to Germany in the forthcoming negotiations. It rests on an estimate that the USSR does not yet believe that the attempt to implement the Paris Accords will necessarily produce a powerful and dangerous West Germany. It also rests on the estimate that the Soviet leaders believe they still have cards to play which could prevent this development from coming about. It is possible, however, that what we have described will prove to be only the initial Soviet position and that at some point during the process of negotiation the Soviet leaders will decide that this course will not lead to a satisfactory interim agreement, nor set up political barriers to rearmament in West Germany, nor divide the Western Powers. Their judgment on this point will depend on the reaction to their proposals in West Germany, and on the unity and firmness of the Western Powers.

33. If the Soviet leaders decide that their initial position will fail of its objectives, they may take the initial steps toward a genuine offer for German reunification. The process of unification would probably have to be arranged to save as much face as possible for the Communists. Germany would be denied the right to adhere to NATO and would be required to accept arms control. The USSR would realize that these legalistic guarantees would not serve as any sure protection against Germany's future behavior. However, the Soviet leaders might calculate that certain countervailing political factors would come into play which would make this course a lesser risk than that of a rearmed, irredentist West Germany closely tied to the Western alliance. One of these would be the threat to the unity of the Western Powers if France insisted on keeping Germany in check and the US chose to continue to support Germany as an anti-Soviet partner. Another would be the political assets the USSR might acquire within Western Europe which might enable it to influence the policies of states. For example, the effect of such a settlement might be to release the Communist parties from their present political isolation and enable them once again to employ popular front tactics effectively. There would probably

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also be a stimulus to demands for disarmament and European security ideas which would increase Soviet freedom of maneuver. Finally, the withdrawal of US power from Germany would result, probably followed by a decline in effective US power in Europe generally. We believe that the course of action outlined under this alternative is unlikely at an early stage of the negotiations, but we believe it is at least a possibility in some later phase. It would become more likely if after a year or two West German rearmament seemed to be making good progress and Western unity remained intact.

Disarmament

34. Disarmament will probably be an issue which, for several reasons, the Soviet negotiators will stress. It is an issue susceptible of exploitation in such a way as to establish the sincerity of Soviet desires for a reduction of tensions. Its complexities make it difficult for general opinion to recognize insincere positions. It will permit the Soviet negotiators to shift attention from their weak position on free elections in Germany to the threat of German rearmament which the West will seem to be in the position of abetting. The Soviets may also expect to find Western unity vulnerable on the issue. Finally, the ramifications of the subject are so extensive that negotiations can be prolonged almost indefinitely. If the Soviet negotiators succeed in making a disarmament agreement a plausible precondition for a settlement on Germany, they may be able to check progress toward the rearmament of West Germany for a considerable period.

35. The new Soviet position on disarmament has already been laid out in the proposal of 10 May, which was probably drafted with a view to the coming Four Power talks. It is designed particularly to offer a seeming basis of agreement on principal features of British and French proposals put forward previously, on which the USSR may suspect that the US will not be in accord with its allies. Since it will be a principal objective of Soviet policy in the talks to drive a wedge between the US and its allies, the Soviet negotiators will

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attempt to manage the discussion of their proposal in such a way as to achieve this result.

36. There are from the Western point of view both obscurities and patently objectionable features in the Soviet plan. It is obscure as to whether it requires that the political settlements for Germany and the Far East mentioned in its draft UN Assembly resolution are pre-conditions for acceptance of the plan. It is objectionable to the West in failing to provide a clear and adequate statement of inspection and control procedures. Will the Western Powers find in seeking to clarify the proposal and to amend it to meet Western requirements on inspection that the USSR is willing to make concessions to reach real agreement? The USSR is probably prepared to reach some kind of disarmament agreement, and would probably actually implement it to some extent, since it is in the Soviet interest at this time to reduce the burden of arms expenditures. However, the USSR is unlikely to accept Western requirements for inspection, and this will probably prove to be the sticking point on the disarmament issue. Probably the Soviet negotiators realize this in advance, and expect to use their May 10 proposal primarily to gain tactical advantage, in particular to exploit possible Western divisions and to agitate against the "aggressive" intentions of the US as shown by US determination to retain bases menacing the Sino-Soviet Bloc.

Far East Questions

37. In our view the USSR will almost certainly attempt to introduce Far Eastern issues into the negotiations. The power and prestige of Communist China, Western weaknesses and differences in the Far East, and the area's many vulnerabilities to Communist pressures all constitute factors which the USSR will almost certainly throw into the scales to strengthen its negotiating position on European matters. The Soviet negotiators, accordingly, will probably raise Far Eastern issues at the Summit meeting, and, in addition will try to gain Western acceptance, as at Berlin in February 1954, for subsequent negotiations on Far Eastern

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questions, with Communist China one of the principal participants. The USSR might propose either a successor conference of Five Powers, or one in which selected Asian states would be included.

38. The USSR will probably attempt to use the Four Power negotiations to promote Sino-Soviet Far East interests and to advance the world stature of Communist China. With respect to the situation in the Formosa Strait, the USSR may suggest that tensions could be relaxed if the US would agree to such moves as the removal of the Seventh Fleet, the evacuation of US military personnel from Taiwan, the abrogation of existing embargoes against Communist China, and the ceasing of all Nationalist military operations against and overflights of the Chinese mainland. On Indo-China, there may be an attempt to commit the Western Powers to fulfillment of the Geneva arrangements for unification of the country by elections in 1956. The continued division of Korea is unlikely to be pressed as a major problem, although the USSR may propose withdrawal of foreign troops and renewed negotiations, either in the UN or directly between North and South Korea.

Possible Western Proposals the USSR Would Reject

39. There are certain issues which, if raised by the West, the USSR would probably refuse to discuss. One of these would be the political legitimacy of the Satellite regimes in Eastern Europe or the question of Soviet control of them. If, for example, the West offered to withdraw US forces from the European continent in exchange for fulfillment of the Yalta pledges in Eastern Europe, the USSR would probably refuse any bargaining at all. Because of this sensitivity to making the Satellites a subject of bargaining, the Soviet negotiators are unlikely to present a "neutral belt" thesis, since this would permit the West both to suggest inclusion of some Satellites and to discuss whether their political regimes could be effectively neutralized. Another subject the USSR would refuse to discuss would be "international Communism" or Soviet control of Communist parties outside the Bloc. This would be met with bland denials of the reality of Soviet control and an insistence that the USSR could not properly discuss the affairs of political organizations of which it had no knowledge, and at the same time thus intervene in the affairs of other nations.

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This position would be essential for the USSR to hold since to acknowledge Soviet control of foreign Communist parties would probably greatly undermine their effectiveness in some countries.

SUMMARY

40. The Soviet leaders probably approach new Four Power talks with a genuine desire for a reduction of international tensions, at least for an interim period. They probably are seeking assurance that none of the issues presently at stake between the two blocs will be allowed to become so critical as to raise new dangers of war or stimulate new Western armament efforts. Most immediately, they probably hope to obtain some interim arrangement on Germany which will prevent or at least limit West German rearmament. At the same time they hope to involve the Western powers in prolonged negotiations on Germany, disarmament, troop withdrawals, and Far East issues so formulated as to give maximum opportunities to exploit Western divisions and undermine existing Western strength.

41. The Soviet leaders presently appear unwilling to pay any great price for settlements of outstanding issues and probably do not feel that their problems are critical enough to force them to do so. But the already apparent flexibility of their policy indicates that they are ready to go farther than previously, both (1) to gain time to resolve their own internal problems and to continue their military and economic buildup, and (2) to give new impetus to their long standing efforts to weaken the Western alliance and force a contraction of US power.

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